

**LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY**

**WRITTEN QUESTION**

Mr Higgins to the Minister for Essential Services:

**Appropriation Bill – Government Owned Corporations**

Please provide copies of:

- All questions, which you have received from the public in relation to the Estimates process and consideration of the Appropriation Bill for the 2017/18 financial year; and
- the answers to those questions that were presented to the Estimates Committee.

**Answer** - These questions have been referred to the Chief Minister to coordinate a response. A whole of government response will be provided by the Chief Minister.

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**Please provide the information requested below for Agencies and Government authorities for which have responsibility, as at 31 March 2017.**

<b>GOVERNMENT OWNED CORPORATIONS</b>
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**TERRITORY GENERATION**

1. What is the current cost of generation to Territory Generation?
2. What is the current base load capacity of the Territory network?
3. Has any research been conducted around the costs associated with upgrading the network to cater for a 50% Renewables Target?
4. What additional resourcing has been allocated to fulfil transition to 50% renewables?
5. What asset pricing model does Territory Generation use to value the current network infrastructure?
6. What is the current depreciation schedule and/or rate of depreciation on Territory Generation network infrastructure?

7. What is the outage rate or incidence of an outage event across electricity network?
8. How does this compare with other States and Territories across Australia?
9. How much would be required to bring the network infrastructure to equal the best available in Australia?
10. A Certificate of Exemption was issued by the Chief Executive Officer of Territory Generation on the recommendation of the People and Safety team for a contract of the value of \$200 000 for 'provision of quality independent personal financial advice to employees'.
  - a. What was the reasoning behind the provision of this service to employees?
  - b. Who were the 'three local providers' which provided these services?
  - c. How much was each individual paid?
  - d. Is the provision of 'independent personal financial advice to employees' a core function of the operations of Territory Generation?
  - e. Why was a Certificate of Exemption issued for this contract rather than it being put out to open tender?
  - f. Please provide a copy of the case made by the People and Safety team to the Chief Executive Officer for the provision of this service to employees and why it required a Certificate of Exemption?
11. There has been an increase of supernumerary staff in Territory Generation of approximately 36 in 2015/16 to 56 at present.
  - a. Why has there been such an increase in supernumerary staff at Territory Generation?
  - b. What duties are these employees undertaking?
  - c. What is the total cost of these employees to Territory Generation?
  - d. Why have these employees not been appointed to a permanent position?

## **JACANA ENERGY**

1. Jacana Energy has incurred \$141 693.99 in legal expenses up to 31 March 2017, with \$100 015.52 being contracted to Minter Ellison Lawyers. The General Counsel and Company Secretary of Jacana Energy is a previous Partner of Minter Ellison Lawyers.
  - a. Why was Minter Ellison Lawyers given over 70% of Jacana Energy's outside legal work?
  - b. Who made the decision to contract Minter Ellison on each matter referred to them?
2. Of the 6 consultancies engaged by Jacana Energy, 5 were from interstate providers (equating to \$297 030 of \$353 580 being sent interstate) and only 3 were put out to tender prior to works commencing.
  - a. Why was only 50% of these consultancies put out to tender prior to works commencing?
  - b. Why was over 80% of consulting work given to interstate providers rather than sourcing the consultants from within the Northern Territory?
3. How many FTE work in the call centre?
4. How many calls does the call centre receive annually (or quarterly or monthly)?
5. What additional resourcing has been allocated to fulfil transition to 50% renewables?
6. What options are available for customers who have had their power disconnected by Jacana Energy (regardless of whether it is due to a fault on behalf of the customer, or of Jacana Energy) who discover the disconnection out of ordinary business hours and wish to seek a reconnection?
7. How many customers have mistakenly had their power disconnected by Jacana Energy during the 2016/17 Financial Year?

## **POWER AND WATER CORPORATION**

1. Power and Water Corporation spent \$730 000 on external legal fees up to 31 March 2017.
  - a. Why was such expenditure on outside legal counsel required?

- b. What was each matter referred to outside legal counsel?
2. The Power Networks Business Unit contracted Newgate Research to conduct a focus group at the cost of \$124 022.
    - a. What was the purpose of the focus group?
    - b. How many participants were there in the focus group?
    - c. Why was such an expensive focus group required?
    - d. How long did the focus group run for?
    - e. Are there plans to continue such focus groups into the future?
  8. The Power and Water Corporation has the equivalent of one floor of the Mitchell Centre, Darwin that is under-utilised.
    - a. What is the cost of this space?
    - b. Why has this space not been more effectively utilised?
    - c. Why has this space not been vacated and returned to the landlord?
    - d. Are there plans to utilise this space in the future or vacate the space?
  9. Of the 12 consultancies engaged by Power and Water Corporation, all have been awarded to interstate firms, with the exception of one included a Northern Territory Based participant. This equates to almost \$4 333 018.52 being sent to interstate firms for work rather than to firms in the Northern Territory.
    - a. Why was almost all consulting work given to interstate providers rather than sourcing the consultants from within the Northern Territory?
  10. The NT News of 10 May on online at <http://www.ntnews.com.au/business/powerwater-outsmarted-in-50m-gas-deal/news-story/fc86307dc679039f747f0ea05de17578> had a story "PowerWater outsmarted in \$50m gas deal", which outlines how PowerWater lumped Territory taxpayers with an extra \$50 million of gas they can't use through mismanagement in relation to the gas supply for Pine Creek. Would PowerWater like to comment on this story? How could this occur? What would PowerWater do differently to avoid causing so much harm to Territory taxpayers?
  11. The key performance indicators in PowerWater state that for 2017-18 it is expected that 80% of customers rate their overall satisfaction with

PowerWater as good or better. How many customers are in the samples in this table?

12. The statement of corporate intent talks a lot about how the AER, the incoming regulator, will be benchmarking prices, and PowerWater will have to justify its higher prices. Does the introduction of the new regulator and associated benchmarking of prices offer the opportunity to lower prices electricity prices for consumers?
  13. What is the current metering strategy? Are there any plans to increase the number of smart meters in the Territory?
  14. PowerWater seems to have ample floor space in the Mitchell Centre. Has handing back some of the areas currently leased been considered?
  15. What additional resourcing has been allocated to fulfil transition to 50% renewables?
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## ANSWERS

### GOVERNMENT OWNED CORPORATIONS

#### TERRITORY GENERATION

1. TGen's annual budget total Operating cost before depreciation interest and tax is \$224m.

The year to date cost of generation is \$180.6M to 31 March 2017 made up of labour, energy (fuel, PPAs, etc) Repairs and Maintenance plus depreciation of \$19.4M.

2. The question contains reference to base load capacity and the Network. Territory Generation, as a generator, is not responsible for any aspect of the electricity network and as such has answered specifically in relation to the generation capacity.

Territory Generation operates in three independent regulated systems, being Darwin/Katherine, Alice Springs and Tennant Creek, and two non-regulated systems, Yulara and Kings Canyon.

Total Territory Generation owned and or operated generation capacity (MW) in each of the systems it operates in is presented in the table below:

<b>System/Market</b>	<b>Total System Generation Capacity</b>
Darwin/Katherine	471.7 MW
Alice Springs	84.6 MW
Tennant Creek	16.7 MW
Yulara	11.00
Kings Canyon	1.2

3. Territory Generation advises that there are some aspects to this question which are a matter for the network service provider, which is Power and Water Corporation (PWC).

Territory Generation has undertaken modelling of a range of investment options for generation and networks to achieve a 50% renewables target.

PWC's response is below:

Not explicitly. Power and Water seeks to support the connection of all generation to the network and upon the release of the Government's

Roadmap to Renewables Strategy, will consider the necessary network augmentation and support options.

4. Territory Generation has developed an Alternative and Renewable Energy Strategy using existing internal resources supplemented by consulting and engineering support. Territory Generation, through a renewed focus on these strategies with its New Energy & Sustainability area, is in the process of recruiting two renewable energy technical positions.
5. In specific regard to network infrastructure, this is not a question for Territory Generation as it is not the network service provider, which is Power and Water Corporation (PWC).

Territory Generation would refer to its Annual Report for all detailed information regarding its own asset schedule, as it uses a number of models. Essentially, TGen depreciates assets over their useful lives utilising both the time basis and output/service basis of depreciation. The determination of the appropriate method is based on the expected pattern of consumption of the future economic benefits embodied in the asset.

PWC's response is below:

A discounted cashflow model that replicates what fair value would be for an external market participant.

6. Refer to previous answer (Question 5)
7. This is not a question for Territory Generation as it is not the network service provider, which is Power and Water Corporation (PWC) through System Control. PWC has offered to answer this question:

Unplanned outage are quantified using two national measures, being the System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI), which for 2015/16 were as follows:

- SAIDI was 244.08 minutes per year per customer
- SAIFI was 3.75 interruptions per year per customer

Note:

- SAIDI is the reliability index that measures the average duration of the outages or interruptions in a year for each customer in the system
- SAIFI is the reliability index that measures the average number of interruptions experienced by a customer in a year.

8. Power and Water answered this question on behalf of TGen:

When compared nationally Power and Water achieves a median level of performance.

9. This is not a question for Territory Generation as it is not the network service provider, which is Power and Water Corporation (PWC). PWC has offered to answer this question.

Power and Water designs and operates its network to meet an appropriate level of service standards in the most prudent, efficient and safe manner.

The Australian Energy Regulator will benchmark Power and Water's performance in this respect against other network businesses as part of the 2019 – 2024 distribution determination.

10.

- a. This support of Territory Generation's employees was provided as part of a broad organisational change associated with the move to a contemporary operating model.
- b. Halpin Financial Services, Darwin Financial Services, and All Financial Services.
- c. The contract was awarded on a schedule of rates basis.

The amount spent on the contract so far are as follows:

- Halpin Financial Services - \$924.00
- Darwin Financial Services – \$7,567.79
- All Financial Services - \$3,675.00

d. The contract period was 24 January 2017 to 23 July 2017.

While the provision of 'independent personal financial advice to employees' is not a core function of the operations, Territory Generation is going through major changes to operations and maintenance strategy which is impacting our people. The provision of this service to impacted staff provides them with the opportunity to make informed decisions relating to their future career opportunities.



- e. There was a requirement to undertake this procurement activity in the shortest amount of time due to the fundamental changing operations within the business. The providers are well respected and came highly recommended in providing effective financial services to their clients. The intent was to go to three suppliers who could provide the service rather than the timely public tender process.

f. Please see attached.

11.

- a. A number of key positions are required to deliver critical strategic objectives to allow the business to transition to a more contemporary operational model.
- b. power plant operational duties, enabling our permanent workforce to undertake training in the new operating model:
  - project management and support functions to manage the infrastructure upgrades required for business transition
  - facilitating effective change management
- c. \$4,235,253.75
- d. The work being undertaken by these employees is of a temporary nature therefore fixed term contracts are being utilized across the business where appropriate and will not be renewed once their objectives have been achieved.

## JACANA ENERGY

- 1.
  - a. Each engagement was undertaken on its merits having regard to the specialist nature of the issues and in line with the above criteria.
  - b. Each engagement was made in consultation with relevant business units requiring the legal advice and or services.
- 2.
  - a. The contracts were awarded using a select process, due either to the specialist nature of the work required or the urgency required of the work to be undertaken.
  - b. Jacana Energy engaged interstate consultants due to the specialist nature of the services required or the urgency required of the work to be undertaken.

3. 24 FTE's (Full Time Equivalent) are employed in the Customer Care team all located in Darwin and all positions are Direct to Public (DIRCT).
4. In FY 2016/17 Jacana Energy received 152 616 calls. Monthly call volumes for FY 2016/17 and FY 2015/16 are shown in the table below:

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
Total Calls 2016/17	12834	12753	12829	10546	11665	11274	14195	12175	15118	11123	14021	14083	152616
Total Calls 2015/16	14352	11820	12210	12210	11613	12663	14022	10709	12027	10839	10335	11133	143933

5. No additional resourcing has been allocated. Once the Government's Roadmap to Renewables is released, Jacana Energy will review the roadmap and consider resource requirements.

Jacana Energy is reviewing applications received through its Renewable Energy Expression of Interest and Renewable Energy Credits.

6. Jacana Energy's hours of operation are from 8am to 6pm Monday to Friday. This is consistent with similar electricity retailers in other jurisdictions. Where a customer discovers a disconnection outside of operating hours, the customer can wait and contact Jacana Energy the following business day to request a reconnection.

Jacana Energy processes reconnections by sending a service request to the network provider, Power and Water Corporation (PWC). PWC then schedules and carries out the reconnection within 24 hours.

Jacana Energy refers customers to PWC for electricity emergencies and faults. This is done on Jacana Energy's website and automated phone recordings. PWC operates its emergency call centre on a 24x7 basis. This approach is consistent with that taken in other jurisdictions.

7. For 2016/17 a total of 23 customers were disconnected due to an error made by Jacana Energy, and 21 of these were reconnected on the same day.

## **POWER AND WATER CORPORATION**

1.
  - a. To source expert legal advice on certain matters where the technical knowledge or experience was not available in-house, or to assist with an increased work load that could not be met within current resourcing.
  - b. As per the original response to WoQN60, providing details in relation to these matters has the potential to prejudice the interests of Power and Water and other parties.

2.

- a. This customer engagement is being undertaken as part of Power and Water's transition to the National Electricity Rules. The scope of the engagement activities is driven in part, for the purpose of compliance with the Australian Energy Regulator's "Consumer Engagement Guideline for Network Service Providers".

The intent of the focus groups is to engage with our customers and inform them of our plans for the future of the network and to get their direct feedback on those plans.

This will help inform Power and Water's long-term plan for the network and to establish priorities relating to customer experience, maintenance, safety, affordability, and reliability.

It will also inform the approach to tariffs, plans for capital and operational investments into the network, our connection policies and related pricing structures.

- b. There were 73 participants over nine focus groups held in Darwin, Alice Springs, Katherine and Tennant Creek.
- c. The total reported was for nine focus groups and involved room hire, preparation costs and transport to regional areas.
- d. The focus groups on average went for two hours.
- e. Power and Water is currently testing the possibility of continuing to conduct focus groups (post 2019) with Power and Water's Customer Advisory Council (customer representative body) and the regulator.

8.

- a. Based on a floor space of 797 square metres, the annual rental cost is approximately \$426,520.
- b. Power and Water is currently using this space, but it has identified an opportunity to reduce its accommodation footprint.
- c. Power and Water has initiated discussions with the landlord.
- e. Not at present.

9.

- a. Ten of the twelve consultancies were issued to interstate firms. One of which was KPMG where the services were provided by the local partner in the Darwin Office.

The successful tenderers for each piece of work were either selected from an existing panel contract (established through a robust qualification process) or won the work through a competitive tender/quotation process, assessed against their response to the defined assessment criteria.

10. EDL ran a competitive tender process with Power and Water submitting an offer which took account of the market conditions and associated risks.

Power and Water believes it made a competitive offer to the tender, but the ultimate decision to award the contract and the basis on which that decision was made, is a matter for EDL.

Power and Water continues to engage with a number of current and potential customers for the future supply of gas both within and outside the Territory.

11. 450

12. Retail electricity prices for consumers below 750MWh per annum are determined by the Government's Electricity Pricing Order.

Network tariffs will be determined by the independent Australian Energy Regulator.

13. Power and Water is currently rolling out type 4 metering installations (referred to as smart meters) to all customers who consume more than 40MWh per annum. This is consistent with the funding approved by the Utilities Commission in 2014.

The future strategy for type 4 metering installations will be submitted to the Australian Energy Regulator as part of Power and Water's 2019 – 2024 distribution determination.

14. Please see the response to question 3 above.

15. Power and Water is working closely with the Government and its Renewable Energy Expert Panel on the development of its Roadmap to Renewables.

No additional resourcing has been allocated at this time. Any future resourcing decisions will be made upon confirmation of the Government's Roadmap to Renewables strategy.